

December 5, 2006

1120 Stakeholders

We are pleased to post the Production version (2006v3.0) of the Tax Year (TY) 2006 Forms 1120 and 1120S XML schemas and Business Rules on the www.irs.gov website (referred to as Release 4.0). These XML schemas focus on changes to the new sub-consolidation schemas structure. The Modernized e-File system will open for live processing on January 8, 2007 and schema version 2006v3.0 must be used to submit all TY 2006 Forms 1120 and 1120S production returns.

TY 2006 Assurance Testing (ATS) began on November 7, 2006 using schema version 2006v1.2. This version will remain active through December 27, 2006. Effective December 28, 2006 schema versions 2006v3.0 will be installed into ATS and test returns can be sent in through Electronic Management System (EMS) and the Registered User Portal (RUP). You may also submit test returns with valid schema versions for TY2004 and TY2005 (see **ATS System** charts at <http://www.irs.gov/efile/article/0,,id=128360,00.html>.)

Note: Effective December 28, 2006, Forms 1120 and 1120S schema versions 2006v3.0 must be used to submit all TY 2006 test returns. All prior 2006 schema versions are no longer valid.

XML Schemas

The TY 2006 production schemas include all tax forms and schedules for Forms 1120 and 1120S. Schema version 2006v3.0 is posted to the **Production System** and **ATS System** charts at

<http://www.irs.gov/efile/article/0,,id=128360,00.html>. Also included are “Diff Files” that show changes from the November 17, 2006 posting.

Please note: The Instance Document that is normally contained in the schema files is not included due to sub-consolidation structure changes.

The **Production System** table contains the current valid schemas for Forms 1120, 1120S and 7004 that are still being used to process TY 2003, TY2004 and TY2005 tax returns and TY 2005 timely-filed extensions.

Business Rules

Release 4.0 TY 2006 (new version 2006v3.0) 1120/1120S Business Rules are posted in two different formats containing identical information – Adobe (.PDF), and Comma Separated File (.CSV). A column within the file identifies key changes made from the last posted version of the business rules. The new rules are posted to the **Production** and **ATS System** charts at <http://www.irs.gov/efile/article/0,,id=128360,00.html>.

As with the XML schemas, current valid Business Rules for TY 2003, TY 2004 and TY2005 are shown in the **Production System** table.

Key Changes

- Due to the new sub-consolidation schemas structure, Tax Year 2006 Production schema versions (effective January 8, 2007) and the ATS schema version (effective December 28, 2006) will also change:
 - 2006v3.0 is posted to the **Production** and **ATS System** charts to be used to submit TY 2006 tax returns. All prior 2006 schema versions are no longer valid. **Note:** Schema and business rule versions 2.0 and 2.1 will not be installed into Production or ATS.
- Forms and Publications Office is in the process of revising Form 8886. Unfortunately, it will not be ready for distribution before January, thus we have removed Form 8886 schema. When Form 8886 is ready for distribution, we will update the schema as soon as possible. However, the **updated** Form 8886 could be submitted as pdf until the schema is updated. You will be notified when Form 8886 is ready for distribution.
- There are additional TY2006 schema and rule changes due to form updates, thus Forms 1120 and 1120S schema version 2006v3.1 is tentatively scheduled to be published on December 15, 2006.
- Beginning January 2007, Modernized e-File will only accept 1120/1120S tax returns for Tax Years 2004, 2005 and 2006.

As a reminder, please see the Large and Mid-Size Corporation (LMSB) website for special instructions and interim procedures for taxpayers required to efile at: <http://www.irs.gov/businesses/corporations/article/0,,id=147101,00.html>.

As always if you have any questions or comments, please contact us through the Topica group or the ETA 1120 Team at 1120@irs.gov. You can also contact Xan Ostro at (202) 283-7697 or Joan Barr from the ETA team at (415) 382-9039. For questions on 7004, you can contact Linda Lateef from the ETA team at (202) 283-0014.